

## **EXECUTIVE ORDER**

**05-17**

**September 8, 2005**

### **ESTABLISHMENT OF THE OFFICE OF TAX RESEARCH AND ANALYSIS**

WHEREAS, Rhode Islanders suffer from the 6<sup>th</sup> highest combined state and local tax burden per \$1,000 of personal income in the nation; and

WHEREAS, the Rhode Island Public Expenditure Council has found that the tax burdens of Rhode Island and Massachusetts have diverged sharply from one another since FY 1982 as Rhode Island's tax burden has increased while Massachusetts' tax burden has decreased; and

WHEREAS, Rhode Island's economy has been hampered by the high tax burden borne by its residents, especially families and small businesses, and, high taxes impede job growth, investment and economic development; and

WHEREAS, the decoupling of the Rhode Island personal income tax from the federal income tax code has unnecessarily increased the complexity of the tax system; and

WHEREAS, Rhode Island's tax system includes many exemptions, credits, deductions, and modifications, all of which have been enacted with the attainment of specific policy objectives in mind but have had the unintended consequence of making it extremely difficult to determine which exemptions, credits, deductions and modifications are cost effective; and

WHEREAS, the ability of state officials to analyze and assess the economic impact of various tax expenditure enactments and proposals is severely restricted by the lack of easily accessible and manipulable tax data; and

WHEREAS, sophisticated tax research and analysis requires advanced data storage solutions and flexible software with which to compile data sets, develop econometric models and perform statistical analysis; and

WHEREAS, section 42-11-2(r) of the Rhode Island General Laws designates to the Department of Administration the responsibility “[t]o analyze, evaluate, and appraise the tax system of the state, and to make recommendations for its revision in accordance with the best interests of the economy of the state;” and

WHEREAS, state government’s current approach to analyzing, evaluating and appraising the state tax system is divided among several agencies; and

WHEREAS, the Department of Administration has the power to assign or reassign, with the approval of the governor, any functions, duties or powers established by this chapter to any agency within the department; and

WHEREAS, the General Assembly has appropriated \$100,000 in the FY 2006 enacted budget for the purpose of determining the resources and staffing necessary to enhance the state’s tax research analysis capability.

NOW, THEREFORE, I, DONALD L. CARCIERI, by virtue of the authority vested in me as Governor of the State of Rhode Island and Providence Plantations, do hereby order as follows:

1. An Office of Tax Research and Analysis (the “Office”) is hereby established within the Department of Administration, to be supervised by an Executive Director hired by and serving at the pleasure of the Director of the Department of Administration.
2. The Executive Director shall supervise the establishment of the Office, as follows:
  - A. The Executive Director shall report to the Governor by December 1, 2005 with a budget, staffing, and technology plan for the Office.
  - B. All departments and agencies of the State as may be appropriate from time to time shall assist and cooperate with the Office in furtherance of this Order.

3. The responsibilities of the Office shall include, but not be limited to, the following:
  - Developing a data base and tax impact model;
  - Developing and maintaining expertise in data collection and statistical analysis to provide qualitative and quantitative analysis of the state's tax structure and various tax incentives;
  - Providing fiscal and tax incidence analysis for tax proposals recommended or under consideration by the Governor and the General Assembly;
  - Providing an ongoing study of the state tax structure and identifying trends that should be considered in tax policy development;
  - Monitoring the impact that federal tax policies and actions may have on the state tax structure and revenue product;
  - Analyzing the impact state tax changes may have on economic conditions;
  - Preparing tax expenditure reports required under chapter 44-48.1 of the Rhode Island General Laws;
  - Preparing fiscal notes for all bills and resolutions having an effect on the revenues of the state as required under chapter 22-12 of the Rhode Island General Laws;
  - Maintaining a state of the art econometric tax modeling capacity;
  - Preparing an annual assessment of the effectiveness of tax incentives.
4. The Office shall produce on an annual basis a report to the Governor of suggested changes to the Rhode Island tax code that will:
  - Promote simplicity and equity in the Rhode Island tax system;
  - Stimulate job creation, business investment, and entrepreneurship;
  - Encourage work, saving, and investment; and
  - Minimize the tax burden borne by Rhode Island's most vulnerable citizens.
5. The Office shall make recommendations to the Governor in furtherance of the Governor's tax, jobs and economic competitiveness agendas.
6. The Office shall provide regular and timely reports to the Governor, and shall develop and enact a plan to keep all stakeholders current on implementation processes and structures.

This Executive Order shall take effect immediately upon the date hereof.

So Ordered:



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Donald L. Carcieri

Dated: 9/8/05